

STAND. COM. REP. NO. 1393

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 1221  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committees on Agriculture and Economic Development & Business Concerns, to which was referred S.B. No. 1221, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURAL TAXATION,"

beg leave to report as follows:

The purpose of this bill is to support Hawaii's agricultural industry and provide incentives for the designation of important agricultural lands (IALs) by establishing the Important Agricultural Land Agricultural Business Tax Credit (Tax Credit).

The Hawaii Crop Improvement Association, Hawaii Farm Bureau Federation, Maui County Farm Bureau, Alexander & Baldwin, Inc., Hawaiian Commercial & Sugar Company, and Kauai Coffee Company, Inc., supported this bill. The Agribusiness Development Corporation (ADC) supported the intent of this bill. A concerned individual opposed this measure. The Department of Agriculture (DOA), Department of Taxation (DOTAX), and Tax Foundation of Hawaii submitted comments.

Your Committees recognize that concerns were raised during the public hearing regarding the negative fiscal implications of the Tax Credit on state tax revenue. DOTAX has released estimates on the fiscal impact of the Tax Credit. Your Committees respectfully request your Committee on Finance to consult with DOTAX to determine the methodologies used by DOTAX in calculating

SB1221 HD1 HSCR AGR-EDB HMS 2007-3293



the estimated impact of the Tax Credit on state tax revenue collections.

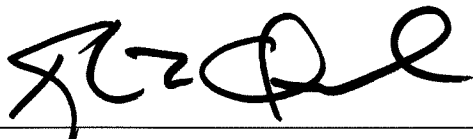
Your Committees have amended this measure by:

- (1) Making DOA, instead of ADC, responsible for certain administrative responsibilities for the Tax Credit, including submitting an annual report evaluating the effectiveness of the Tax Credit;
  - (2) Appropriating funds to DOA, instead of ADC, for costs to administer the Tax Credit;
  - (3) Narrowing the scope of the Tax Credit by deleting feasibility studies, regulatory processing, and certain legal and accounting services from the definition of "qualified agricultural costs";
  - (4) Reducing the amount of the Tax Credit from 100 percent to 50 percent of qualified agricultural costs by revising the tiered schedule for claiming the Tax Credit as follows:
    - (A) 25 percent of the qualified agricultural costs, up to an unspecified maximum, in the year the qualified agricultural costs are incurred;
    - (B) 15 percent of the qualified agricultural costs, up to an unspecified maximum, in the year following the year in which the qualified agricultural costs are incurred; and
    - (C) 10 percent of the qualified agricultural costs, up to an unspecified maximum, in the second year following the year in which the qualified agricultural costs are incurred;
- and
- (5) Making technical, nonsubstantive amendments for style, clarity, and consistency.

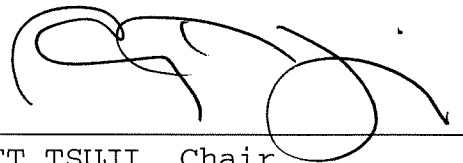


As affirmed by the records of votes of the members of your Committees on Agriculture and Economic Development & Business Concerns that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1221, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1221, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committees on Agriculture and  
Economic Development & Business  
Concerns,



KYLE T. YAMASHITA, Chair




CLIFT TSUJI, Chair

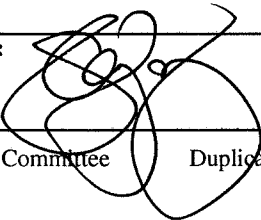


HSCR 1393

Record of Votes of the Committee on Agriculture

<b>Bill/Resolution No.:</b> SB1221 SD2		<b>Date:</b> 3/20/07		
<b>Committee Referral:</b> AGR/EDB, FIN		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Pass, with amendments, for recommitment for further consideration				
AGR Members	Ayes	Ayes (WR)	Nays	Excused
1. TSUJI, Clift (C)	/			
2. BROWER, Tom (VC)	/			
3. BERG, Lyla B., Ph.D.			/	
4. CHANG, Jerry L.	/			
5. HANOHANO, Faye P.	/			
6. HERKES, Robert N.				/
7. MANAHAN, Joey	/			
8. WAKAI, Glenn		/		
9. YAMANE, Ryan I.	/			
10. YAMASHITA, Kyle T.	/			
11. CHING, Corinne W.L.				/
12. MEYER, Colleen Rose				/
<b>TOTAL</b>	7	1	1	3
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
 <b>Vice Chair's or designee's signature:</b>				
<b>Distribution:</b> Original (White) – Committee       Duplicate (Yellow) – Clerk's Office				

**Record of Votes of the Committee on Economic Development & Business Concerns**

Bill/Resolution No.: <b>SB 1221 SD 2</b>		Date: <b>MARCH 20, 07</b>		
Committee Referral: <b>AGR/EDB, FIN</b>		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended		<input checked="" type="checkbox"/> Pass, with amendments		
<input type="checkbox"/> Hold		<input type="checkbox"/> Pass, with amendments, for recommittal for further consideration		
<b>EDB Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. YAMASHITA, Kyle T. (C)	✓	✓		
2. WAKAI, Glenn (VC)		✓	✓	
3. BERG, Lyla B., Ph.D.			✓	
4. BROWER, Tom	✓			
5. CHANG, Jerry L.	✓			
6. HANOHANO, Faye P.	✓			
7. HERKES, Robert N.				✓
8. MANAHAN, Joey	✓			
9. TSUJI, Clift	✓			
10. YAMANE, Ryan I.	✓			
11. CHING, Corinne W.L.				✓
12. MARUMOTO, Barbara C.		✓		
<b>TOTAL</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>2</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted				
<input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office				